

ALBERTA SECURITIES COMMISSION
**Interim Financial Statements and Management's Discussion and
Analysis**

For the Three Months Ended June 30, 2024
(unaudited)

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ASC REPORTS FISCAL 2025 (F2025) FIRST QUARTER RESULTS

STATEMENT OF FINANCIAL POSITION

<i>thousands of dollars</i>	At June 30, 2024 (unaudited)	At March 31, 2024
Financial Assets		
Cash	144,989	147,885
Accounts receivable	994	1,511
	145,983	149,396
Liabilities		
Accounts payable and accrued liabilities	3,562	4,426
Lease inducements	351	413
Accrued pension liability	9,061	9,246
	12,974	14,085
Net Financial Assets	133,009	135,311
Non-Financial Assets		
Capital assets	4,494	4,286
Prepaid expenses	1,524	921
	6,018	5,207
Net Assets		
Accumulated Surplus	139,027	140,518

The accompanying notes and schedule are part of these financial statements.

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (unaudited)

<i>thousands of dollars</i>	For the three months ended June 30		
	2024	2024	2023
	Budget	Actual	Actual
Operating (Deficit) Surplus	(2,968)	(1,491)	2,977
Acquisition of capital assets	(763)	(499)	(128)
Amortization of capital assets	525	291	239
Prepayment of expenses	-	(1,100)	(773)
Reduction of prepaid expenses	-	497	463
Net remeasurement losses	-	-	(3,334)
Decrease in net financial assets	(3,206)	(2,302)	(556)
Net financial assets, beginning of period	135,311	135,311	131,350
Net financial assets, end of period	132,105	133,009	130,794

The accompanying notes and schedule are part of these financial statements.

STATEMENT OF OPERATIONS
(unaudited)

thousands of dollars	For the three months ended June 30		
	2024	2024	2023
	Budget	Actual	Actual
Revenue			
Fees and other	11,545	10,207	10,833
Interest income	1,453	1,804	248
Investment income	-	-	4,332
Administrative penalties	66	86	268
Other enforcement receipts	142	31	42
	13,206	12,128	15,723
Regulatory Expenses			
Salaries and benefits	10,865	9,923	9,439
Premises	1,389	1,346	1,156
Administration	1,750	1,232	1,095
Professional services	1,370	667	560
Amortization of capital assets	525	291	239
Investor education	275	160	131
Investment expense	-	-	126
	16,174	13,619	12,746
Operating (Deficit) Surplus	(2,968)	(1,491)	2,977
Accumulated operating surplus, beginning of period	140,518	140,518	139,806
Accumulated operating surplus, end of period	137,550	139,027	142,783

The accompanying notes and schedule are part of these financial statements.

STATEMENT OF CASH FLOWS
(unaudited)

thousands of dollars	For the three months ended June 30	
	2024	2023
Operating Transactions		
Fees and other	10,645	10,772
Payments to and on behalf of employees	(10,228)	(9,876)
Payments to suppliers for goods and services	(4,713)	(3,625)
Interest income	1,847	248
Administrative penalties	86	268
Other enforcement receipts	31	42
Cash used in operating transactions	(2,332)	(2,171)
Capital Transactions		
Cash used to acquire capital assets	(564)	(342)
Cash used in capital transactions	(564)	(342)
Decrease in cash	(2,896)	(2,513)
Cash, beginning of period	147,885	23,990
Cash, end of period	144,989	21,477

The accompanying notes and schedule are part of these financial statements.

Notes to the Interim Financial Statements

(In thousands of dollars unless otherwise noted)

Note 1 Significant Accounting Policies

These interim financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards. The accounting policies and methods of application adopted are consistent with those disclosed in note 2 of the Alberta Securities Commission's (ASC) annual audited financial statements for the year ended March 31, 2024. These interim financial statements do not contain all the disclosures required for annual financial statements and should be read in conjunction with the most recent annual audited financial statements.

Note 2 Canadian Securities Administrators (CSA) National Systems

The CSA National Systems include the System for Electronic Document Analysis and Retrieval (SEDAR+), the National Registration Database (NRD) and the System for Electronic Disclosure by Insiders (SEDI). These systems are administered under a CSA National Systems operations management and governance agreement (the Agreement). The Agreement empowers the ASC, jointly with three other CSA members, to manage the systems and to engage an external service provider to operate the systems. As one of the agreement signatories, the ASC commits to pay 25.0 per cent of any shortfall from approved system operating costs that exceeds revenue. Any revenue in excess of system operating costs (surplus) is accumulated for future systems operations, including possible revenue shortfalls, fee adjustments and system enhancements. The surplus is not divisible; the CSA owns it as a group.

As at June 30, 2024, the accumulated operating surplus totalled \$176.7 million (\$184.0 million at March 31, 2024). This was primarily made up of \$22.6 million of investments comprised of a notice account earning Bank of Canada overnight rate plus 0.5 per cent, guaranteed investment certificates ranging from six months to one year earning from 5.70 to 5.95 per cent; \$142.5 million in intangible assets; and \$16.0 million in cash held by the Ontario Securities Commission (the Designated Principal Administrator) earning Prime rate less 1.9 per cent. In management's judgment, this arrangement is not an interest in a partnership, and the ASC does not control or have significant influence over how the net assets are managed.

Note 3 Budget for the year ending March 31, 2025

The Commission approved the budget on December 13, 2023.

thousands of dollars

Revenue	
Fees and other	59,300
Interest income	5,813
Administrative penalties and other enforcement receipts	400
Total revenue	65,513
Regulatory Expenses	
Salaries and benefits	43,460
Premises	5,555
Administration	7,002
Professional services	6,007
Amortization of capital assets	2,100
Investor education	1,100
Total regulatory expenses	65,224
Operating Surplus	289

Quarterly budget allocations are determined as follows:

Revenues are prorated based on historical monthly revenue earning experience and anticipated changes in these patterns.

Enforcement receipts result from settlements and monetary orders (cost recoveries, disgorgements and administrative penalties). The budget amount reflects an estimate of revenue received or receivable based on a historical average of annual enforcement receipts.

Expenses are generally amortized on a straight-line basis over twelve months except for certain expenses with time-specific forecasts, such as CIRO registration fees and investor education expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A), prepared as of August 14, 2024, for the three months ended June 30, 2024, should be read in conjunction with the annual MD&A and financial statements reported in the Alberta Securities Commission's (ASC) March 31, 2024, annual report, as well as the June 30, 2024, interim financial statements.

The ASC is the regulatory agency responsible for administering the Province's securities laws. It is entrusted to foster a fair and efficient capital market in Alberta and to protect investors. As a member of the Canadian Securities Administrators, the ASC works to improve, coordinate and harmonize the regulation of Canada's capital markets.

Comparison to the prior year – For the three months ended June 30, 2024 (**Q1 F2025**), the ASC reported an operating deficit of \$1.5 million compared to an operating surplus of \$3.0 million for the three months ended June 30, 2023 (**Q1 F2024**).

Q1 F2025 revenue was \$3.6 million (22.9 per cent) lower than the prior year primarily due to the timing of fees from mutual fund reporting issuers for distribution of securities sold in Alberta, lower administrative penalties, lower registration fees and \$nil investment income. This decrease was partially offset by higher interest income.

Q1 F2025 regulatory expenses increased by \$873,000 (6.9 per cent) compared to the prior year on all line items, primarily due to higher salaries and benefits expenses, premises costs, information technology (IT) costs, contract services costs and amortization expense. This increase was partially offset by \$nil investment expense.

Comparison to budget – The operating deficit for Q1 F2025 was \$1.5 million compared to a budgeted deficit of \$3.0 million primarily due to lower than budgeted regulatory expenses.

Q1 F2025 total revenue was lower than budget by \$1.1 million (8.2 per cent), primarily due to the timing of fees from mutual fund reporting issuers for distribution of securities sold in Alberta, lower annual financial statements filing fees and other enforcement receipts. This decrease was partially offset by higher interest income

Q1 F2025 regulatory expenses were \$2.6 million (15.8 per cent) lower than the budgeted regulatory expenses of \$16.2 million. This variance was primarily attributable to lower salaries and benefits, contract services, information technology (IT) expenses, amortization costs, investor education expenses and member fees. The timing of IT expenditures and a higher employee vacancy rate were the primary factors for lower expenditures.

Cash flow and liquidity – Most annual fee revenue is collected in the fourth quarter of each fiscal year primarily due to annual registration renewals and annual financial statement filing fees from January to April, while expenses are incurred relatively evenly over the fiscal year. This timing difference typically results in negative operating cash flow for the first three quarters and positive cash flow for the fourth quarter. There was a negative operating cash flow of \$2.3 million for the three months ending June 30, 2024 (negative cash flow of \$2.2 million – Q1 F2024), primarily due to lower fee revenue and higher regulatory expenses compared to prior year.

Capital assets – The fiscal 2025 capital budget is \$3.1 million, including \$1.8 million for IT, with the remainder for furniture and equipment and leasehold improvements. The ASC incurred capital additions of \$499,000 during the three months ended June 30, 2024, primarily relating to IT purchases.